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C O N F I D E N T I A L SECTION 01 OF 04 ASMARA 000936

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SUBJECT: LIFTING THE VEIL ON CORRUPTION IN ERITREA

REF: ASMARA 821

Classified By: AMB Ron K. McMullen, for reasons 1.4 (b) and (d).

11. (U) INTRODUCTION AND SUMMARY: The October 2007 assassination attempt on Colonel Simon Ghebredenghil, the second-in-command at the Government of the State of Eritrea's (GSE) National Security Agency (ANS) lifted a corner on the veil over corrupt activities in Eritrea. The GSE, and many Eritreans, fondly boast of Eritrea as a corruption-free state - painting a rosy picture of an honest government with a trustworthy and honorable military, a place where the rule of law and justice prevails over the law of the jungle. With the events leading up to, and investigations following, the assassination attempt, normally reticent Eritreans have started sharing more stories about how Eritrea truly operates -- and the extent to which the GSE condones and even fosters corruption, ranging from preferential treatment to segments of society to misrepresentation and misuse of government resources. While stories of corruption in Eritrea may pale in comparison to the activities of other African regimes, these anecdotes nonetheless dispel the GSE's myth that Eritrea is corruption-free, and show a nation where the privileged few are getting rich with the blessing of the GSE.
END SUMMARY.

PETTY CORRUPTION WITH PASSPORTS AND EXIT VISAS

12. (U) The GSE's strict exit restrictions on its citizens has resulted in an expanding under-the-table business for those working in the Immigration Office. For women ages 18 to 40 and men ages 18 to 50, i.e. those falling within the age range subject to mandatory national/military service, getting exit visas proves nearly impossible. Students wishing to study abroad, individuals wishing to visit families, potential employees seeking job interviews abroad (even within the UN system), and experts wishing to present papers at international conferences) all are subject to these restrictive requirements. As the qualification requirements are not defined or publicly disseminated by the GSE, immigration officers have significant leeway in determining who receives an exit visa. Sometimes individuals are expected to deposit 100,000 nakfa (6,666 USD) or more or provide property deeds as an "insurance policy" that they will return. No one knows where the money goes, or who is

responsible for holding the money. No law exists that individuals must leave this "insurance." The money is allegedly refundable; however, Poloff is not aware of anyone who has received their deposit back upon return to Eritrea. In order to be reunited with her husband, one young woman told Emboff that a member of the security detail for President Isaias offered to secure her exit visa in return for sexual favors. Another Eritrean said he was able to renew his passport only because he knew someone who "helped him out" for a small fee.

FORMER FIGHTERS: ABUSING A STATUTE OF PRIVILEGE

13. (C) Former fighters in the struggle for independence have been held in high esteem in Eritrean society and given significant privileges by the GSE. Of note, all high-ranking officials in the GSE are former fighters themselves, making the positions impossible to attain for other Eritreans who did not fight during the struggle. They and their families receive preferential treatment in hiring, in accessing government resources, and in obtaining passports and exit visas. Having a former fighter vouch for you or make a request on your behalf is another way individuals manipulate the system. One Eritrean told Emboff she was able to obtain an exit visa only because her parents were former fighters. Another former fighter who worked at the Ministry of Foreign Affairs forged her boss's signature on a diplomatic note requesting Schengen visas for herself and her son. Her position as a former fighter made her above suspicion, until her ruse was discovered after a European embassy questioned a diplomatic note coming from the MFA. She managed to leave

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the country before being arrested.

14. (C) Children of fighters or high-ranking military officials routinely are assigned better positions in national service, such as working for Eritrean Airlines in contrast to being assigned to hard labor projects on rural areas of the country. One Eritrean serving in the GSE's mandatory national service program recounted how a former fighter in his office took a sudden disliking to him. The former fighter, who was not his boss nor held any fiduciary responsibility, convinced the payroll office that the Eritrean was not coming to work and falsifying his time card. Without any evidence - merely on the word of the former fighter - payroll cut the national service employee's meager salary in half, down to 400 nakfa (27 USD) for the month. A High Court judge recounted to Emboff his involvement in a case where a former fighter had become vindictive after a woman refused to date him. According to the judge, the former fighter purposefully misled a local policeman and told him that the woman had a false identification card. This accusation led to her arrest and she was held in prison for over one month, until a member of her family approached the judge for help and they secured her release.

GOVERNMENT CONTRACTS FUSS AND FIDDLE WITH NUMBERS

15. (C) As most of the contractors and businesses in Eritrea are de facto government entities owned by the sole political party, the People's Front for Democracy and Justice (PFDJ), they are able to secure nearly all government tenders. While the process may appear outwardly transparent, as the contracts are released for tender and multiple bidders usually respond, all of the bidders are usually PFDJ-owned companies, and part of the same conglomerate, ensuring all contracts awarded essentially end up with the GSE. (Note: The GSE assured a monopoly over construction contracts by expropriating all private construction businesses in 2006 and restricting import licenses to only the PFDJ companies. During this expropriation, many of the construction

specialists, engineers, etc. working for those companies were arrested. Over a year later, some still remain imprisoned. See reftel. End Note.)

16. (C) One European Commission (EC) diplomat who monitors the EC's contracts with the GSE commented to Emboff on the number of observed inconsistencies between the tenders and the final projects, in particular with regards to the tender amounts. For example, a tender may be released for construction of a school. The GSE announces that a specific sum is available for the project, often provided by an international donor. Once the tender has been awarded, contract signed and work completed several years later, the GSE publicly announces project completion for an amount significantly lower than initially agreed upon with the donor. The GSE then trumpets the accomplishment of the project in the state-owned media while simultaneously presenting the donor with cost outlays for similar projects three to four times the amount they have just quoted in their public relations campaigns. (Comment: Post speculates that the difference earned is kept by the PFDJ-owned companies and used by the PFDJ for off-the-book purchases such as weapons, thus circumventing the official GSE expenditures that could be seen by the International Monetary Fund during its assessments of public expenditures. End Comment.) For those international contracts stipulating the use of outside auditors, the only companies available in Eritrea are those run by the GSE or PFDJ. Without independent auditors or transparency, the GSE can reap unknown profits through its companies with little to no accountability.

17. (C) The absence of transparency and accountability also allows the PFDJ companies to falsify documents and supporting materials. The EC diplomat told Emboff that in a close review of a proposal submitted by Segun Construction Company (one of the largest construction companies in Eritrea and also owned by the PFDJ), Segun falsified its incorporation documents in order to qualify for the bid. Segun provided a dated document from 1993 showing Segun's incorporation. The document stated the number of shares and the amounts in

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nakfa, a surprising oversight given that the GSE did not establish the nakfa as a currency until 1997.

18. (C) Like its political party, the GSE also appears complicit in the misrepresentation of the use of funds. A UN foreign national employee shared an anecdote with Emboff about his work in the Debub region. While meeting with local officials regarding a UN health project, an accountant in the local government office approached him. The young man, educated at the University of Asmara and a fluent English speaker, was assigned to fulfill his national service requirement in the government office of this small town, and was admittedly unhappy with his assignment. He showed the UN employee several accounting books he had been directed to falsify for a multi-million dollar economic development program funded primarily through the World Bank. The accountant claimed the local communities had never received these monies and none of the projects allegedly established existed. He added that he had all of the evidence to prove his charge and begged the UN employee to take custody of the evidence and reveal the GSE's misdeeds. The UN employee refused to take the books, explaining that he did not work for the World Bank and that he felt extremely uncomfortable being the conduit.

AND THE WINNER IS: ERITREAN DEFENSE FORCES

19. (U) While some Eritreans manipulate the system in order to survive, the high-ranking military officers are making fortunes on the backs of the conscripted army. Unraveling the depth of the military corruption is an ongoing effort, as anecdotes trickle out. The schemes and scams of individual

military officers clearly occur with the full knowledge and support of the Office of the President in order to buy the military's loyalty. For example, military officers ranked colonel or higher as well other high-ranking government officials are provided with free homes in Asmara and the surrounding areas. They are encouraged to choose the house they want and then the GSE expropriates the property. This attempt by the GSE to buy loyalty has been met with not only fury by the former, legal owners but with the discontent of those military and government officials who did not receive a free home.

¶10. (C) With the strangulation of the private sector by the GSE, the EDF generals have stepped in to fill the void. While the PFDJ controls many of the industries, the EDF generals have managed to get their individual fingers in the pie as well) especially in trade, smuggling, and foreign exchange. General Filipos, who is now in charge of the Asmara region, was formerly head of the far western military area. During his tenure there, he established successful trading routes, smuggling items in from Ethiopia and Sudan and becoming the "go-to" general for individuals attempting to illegally depart Eritrea. For about 3,000 USD, General Filipos' soldiers would ensure the transportation of fleeing Eritreans to the Sudanese border. General Wuchu, who is now overseeing the far western border, has established his own business conglomerate, varying from hotels in Asmara and trade to the black market foreign currency exchange. An Eritrean contact told Emboff that one of the investigators into Col Ghebredenghil's assassination was shocked at the wealth General Wuchu has accumulated on his military salary. The Eritrean said that General Wuchu had enough control over the black market foreign currency exchange that he could manipulate the nakfa exchange market both inside and outside of Eritrea.

¶11. (U) The crowning shame of corruption within the military is the complete acceptance of its business operations by the GSE. These business operations include the military's control over shops and farms run by the military themselves. Some of the largest agricultural projects are military-owned and run. With virtually no labor costs due to the use of the conscripted soldiers, these projects produce the food for the country, which is then sold to the people of Eritrea. The GSE, happy to have food to sell in the market, looks the other way as the military officers pocket the proceeds from these projects. The same graft occurs in the military shops

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(the equivalent of the U.S. military Post Exchanges). Items are sold to military personnel and their families, supposedly at a subsidized at-cost rate. In truth, the military officers have established their own chain of "Giant Supermarkets," profiting on the sale of goods, much of it smuggled in through military channels. These stores have true vertical integration in their business models.

COMMENT

¶12. (U) Corruption in Eritrea is unsurprising; what is new is the openness with which individuals now speak about these activities. The visible wealth of high-ranking military officials and suspected wealth of other high-ranking government officials rankles the average Eritrean who is struggling to survive. While most do not begrudge the privileges of the fighters, many admit that the sense of entitlement of the former fighters is not appreciated. Post expects that with an economy on the verge of collapse, combined with the GSE's restrictive economic and social policies, corruption will grow and flourish within Eritrea in the upcoming years. End comment.

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